

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6841**

**BILL NUMBER:** SB 461

**NOTE PREPARED:** Jan 8, 2004

**BILL AMENDED:**

**SUBJECT:** Access to Mental Health Drugs in Managed Care.

**FIRST AUTHOR:** Sen. Lawson C

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
**DEDICATED**  
☒ **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill prohibits a managed care contractor under the Medicaid program from requiring prior authorization for certain mental health drugs unless specified conditions exist. The bill allows a managed care contractor to limit the quantity of prescription drugs dispensed or the frequency of refills under specified circumstances.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The prohibition on prior authorization requirements for mental health drugs in this bill will potentially affect expenditures in the Medicaid Risk-Based Managed Care (RBMC) program, although the extent and direction of the impact are not determinable and will depend on a couple of unknown factors. The provision would require the managed care organizations (MCOs) contracting with OMPP to provide services in the RBMC program, to eliminate any prior authorization requirements that encourage the use of drugs that are included in the MCO's drug formulary. Establishment and use of a drug formulary is one cost containment tool used by MCOs. The impact on expenditures will depend on: (1) the extent to which the MCO's Medicaid enrollees are prescribed mental health drugs; (2) the financial arrangements associated with the MCO's formulary and the associated impact on the cost structure of each MCO; and (3) the extent that any cost impact upon the MCOs will at some time in the future be factored into the contract capitation rates negotiated between OMPP and the MCOs. Although the most likely outcome is probably higher costs faced by the MCOs, the extent of use of legend mental health drugs within the MCO's plans and the outcome of future capitation rate negotiations are not determinable.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration, Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Kathy Norris, 317-234-1360.